Weekly Briefing 10 June 2021	READ LESS. KNOW MORE. CHINA BANKING TRENDING ANALYTICS POWER TRACKER Prepared by Dr Agatha Fraser

5 minute read

TO PREDICT THE IMPACT OF THE 4 SEASONS ON YOUR BUSINESS

The 5R's Model is created to describe the different analytical phases – Recognition, Reaction, Readjustment, Realignment and Regeneration. By **using different analytical phases**, you can easily understand what the different drivers are for **TRACKING China Banking that will affect your business.**

To better visualize the impact of these drivers, a simple analogy is to view them as part of a natural cycle of Seasonal change.

USING THE WEATHER MAP TO GUIDE YOUR BUSINESS

THE SEASONS

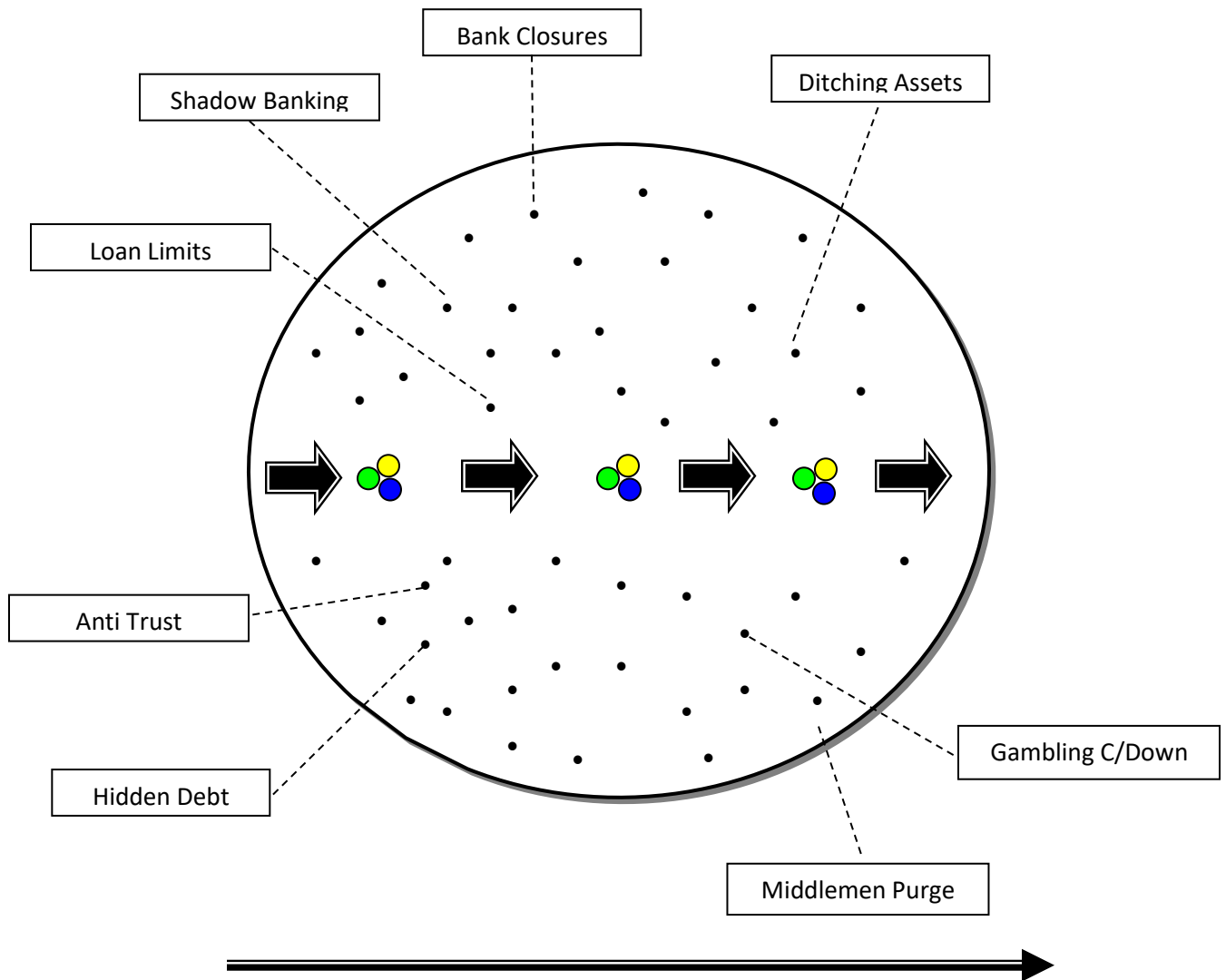| END OF SUMMER Loan Awareness	AUTUMN Risk Realisation	WINTER Regulatory Adaptation	SPRING Strategic Response	RETURN OF SUMMER Service Renewal

1. WINTER: THE REGULATORY WEATHER MAP

In the previous China Banking post (published 30th April 2021), we started to look at the Trends in Regulatory Change driving Phase 3 (Regulatory Adaptation). Today we are taking a deeper look: uncovering the 50 main Regulation Sub Types, the way they unfold over time and their scope.

The Regulation Weather Map is based on the familiar 80/20 Business Rule; or, from nature, the Dominance and Diversity Rule. In Business - the 80% with a smaller impact are normally ignored - **but this *isn't* the case with Regulation):**

Bank Closures

Shadow Banking

Ditching Assets

Loan Limits

Anti Trust

Hidden Debt

Gambling C/Down

Middlemen Purge

TIMELINE
Mid-March – Mid-May

20%   These are the Dominant Drivers, including Credit Risk, Fintech and Digital Currency

80%   •   These are the Diverse Drivers (50), with illustrations included above

## 3. ILLUSTRATING THE SCOPE OF REGULATION: BANK SECTOR

Instead of focusing on one Banking Sector using regulation or policy, the "no stone left unturned" approach predicts that *all* **Banking Sectors are going to be affected by Regulatory change**. Using data from Mid-March 2021 to Mid-May 2021 confirms this wide regulation scope:

TOP TEN BANK SECTORS AFFECTED BY REGULATORY CHANGE

No	BANK SECTOR	Regulation Example	Date
S1 ⇩	Rural Banks	"The Solution to China's Banking Inefficiency"	15/5
S2 ⇩	Underground Banks	"China Cracks Down on Payments from Underground Banks!	19/4
S3 ⇩	Shadow Banks	"Credit Growth limited by Deleveraging Reform"	13/4
S4 ⇩	Foreign Banks	"CBIRC optimises supervision of Foreign Banks in China"	7/5
S5 ⇩	Local Banks	"Deeper Clampdown on Debt Growth at Local Banks"	10/4
S6 ⇩	Micro Banks	"China bans Micro Lenders from offering New Consumer Loans…"	17/3
S7 ⇩	New Banks	Chinese regulators tell fintech groups to fix 'problems'	30/4
S8 ⇩	National Banks	"China Penalises Five Lenders in another move to Stamp Out misconduct…"	22/5
S9 ⇩	Fintech	"Chinese Regulators tell Fintech Groups to fix problems"	30/4
S10 ⇩	International Banks	"Citi Retreat Highlights Global Banks Struggle in China…"	17/4

During the Timeline Period, there were **17 Regulatory Alerts** related to Shadow Banking. In other words, **in terms of the weather, it was raining one third of the time.** <u>So, if Shadow Banking was affecting your business, there was a new alert every 3 days (on average) to assess.</u>

Shadow Banking
Alerts
1-9

Shadow Banking
Alerts
10-17

TIMELINE
Mid-March – Mid-May
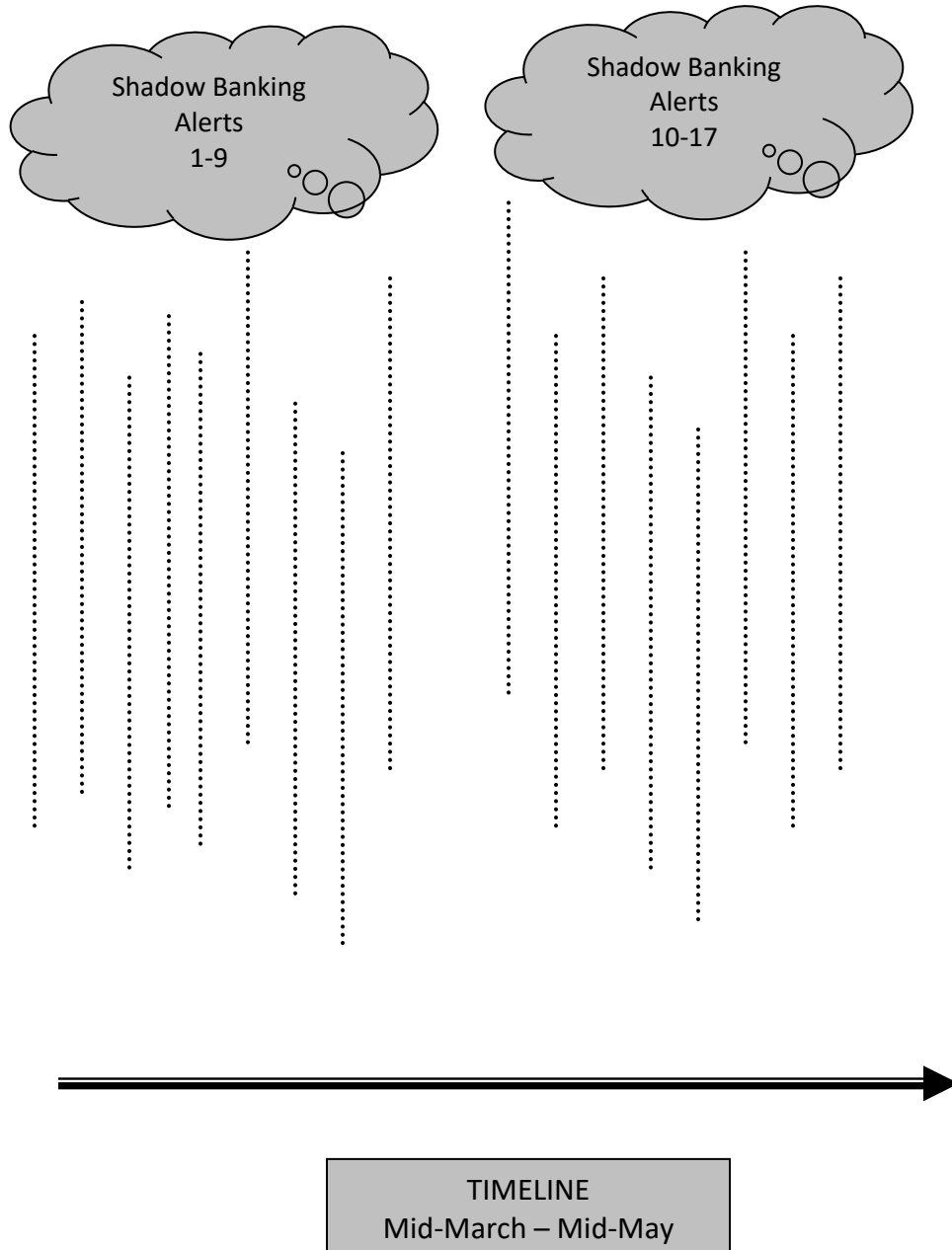
5. THE BIG QUESTIONS ANSWERED and to be ANSWERED

When it comes to building practical insights for business - those that are going to make a difference to productivity and decision making - you can't afford to ignore the BIG QUESTIONS.

The 4 critical questions are these:

1 — What is the Weather Map for Regulation? — ✔

2 — What is the Shape of the Regulation Map? — ✔

3 — What is going to happen next? The Forecast… — Next

4 — How will it affect me? Risk Analysis…. — Next

In today's issue, we have answered the top 2 questions.

In the next issue of China Banking Trends we will start to answer the two remaining questions by illustrating **how to forecast what will happen next and also how to assess how the regulation drivers specifically affect your business**.